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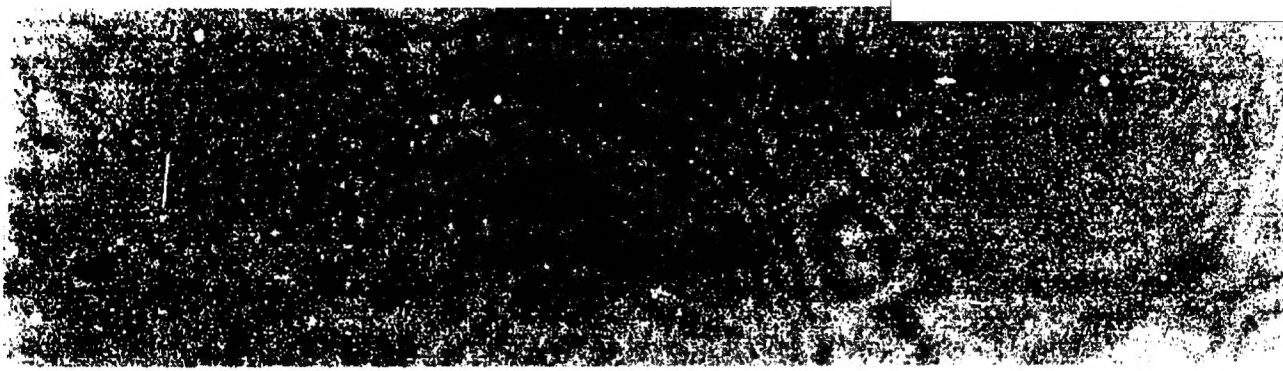


Director of
Central
Intelligence

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CIA/CPAS --- NID 85-246JX ---



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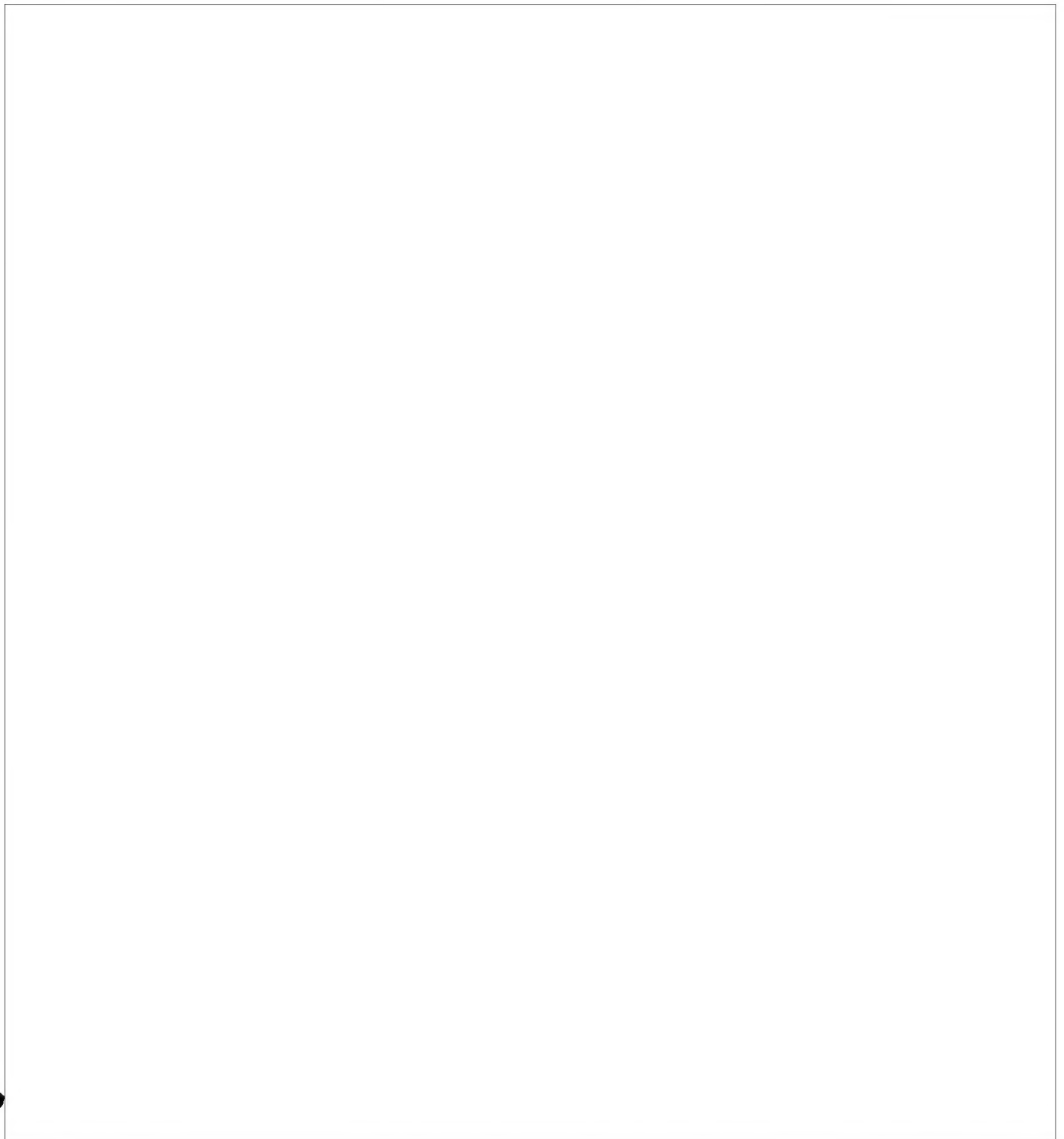
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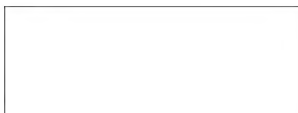
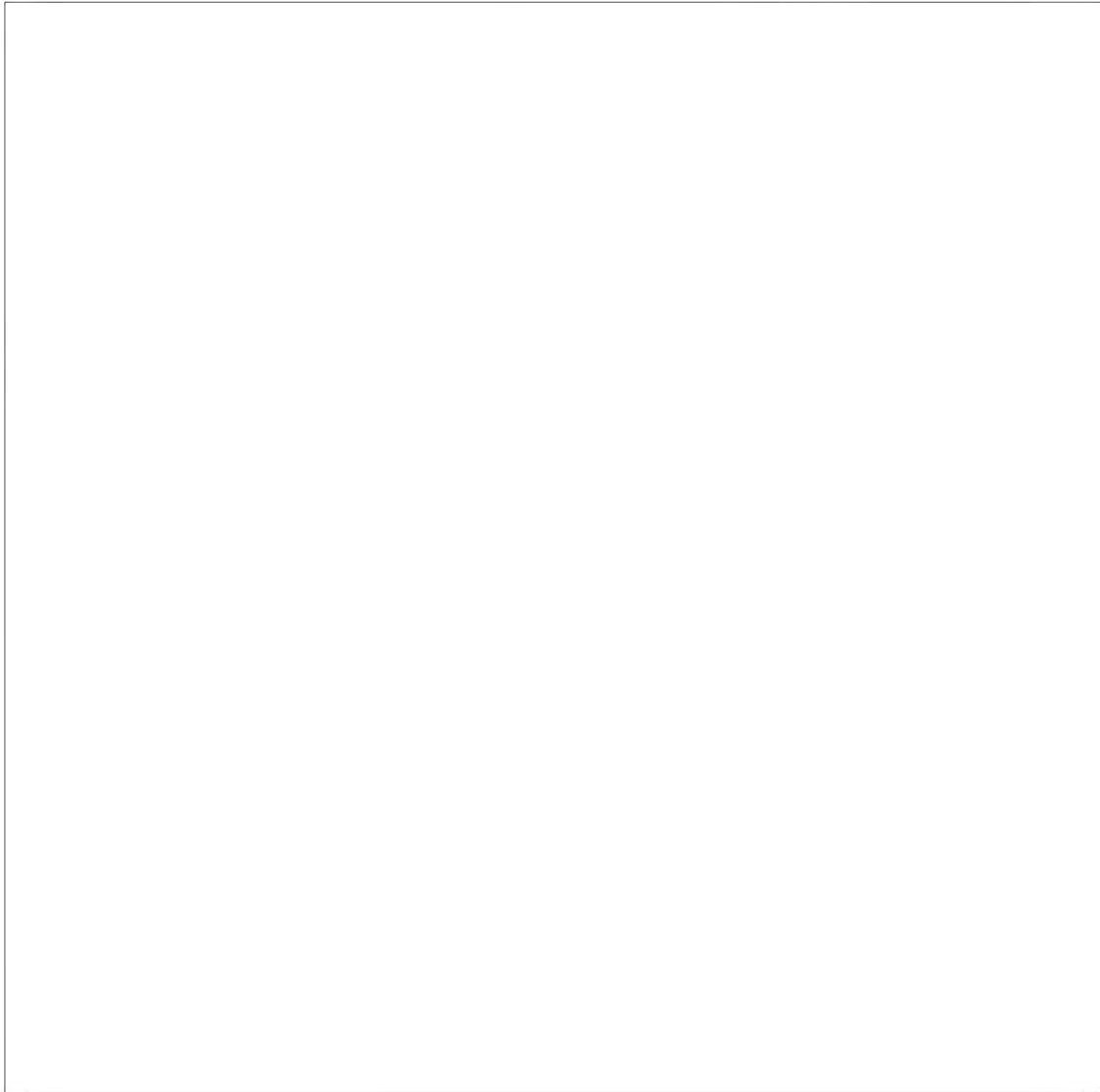
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SPAIN-US:

Security Talks

The Spanish probably hope that the security talks beginning tomorrow in Madrid will lead to progress toward reductions in US forces.

Prime Minister Gonzalez's government is playing down the significance of the opening round. The Spanish media, however, are portraying the talks as the beginning of negotiations to reduce the US military presence in Spain.

The three-day meeting will be largely organizational and is to end with an agreement on the outlines of studies both sides will undertake on security-related topics. Both sides have agreed to a joint statement at the conclusion of this round of the talks rather than a press conference.

Comment: Spain and the US agreed to talks during President Reagan's visit to Spain in May. The two-stage talks will begin with a general discussion of Spain's contribution to Western defense and, at an unspecified date, will lead to talks on the possible reduction of US military forces in Spain.

The Spanish had hoped to move quickly to stage two for an agreement on reductions in the unpopular US presence hoping this would boost public support for membership in NATO. Even though they seem to have backed off in the face of strong US reluctance to discuss force levels until the issue of Spain's membership in NATO is resolved, force reductions remain a goal of Gonzalez.

Gonzalez is still on record for holding a referendum on Spain's membership in NATO by next April. If he decides to go ahead, he will be likely to push hard for an early discussion of the US presence.

Spain wants concessions from the US, but it also apparently believes that the talks should not fail or cause open differences with the US. Such concerns were probably a factor in Spain's decision to forgo a press conference after this round.

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Didier Ratsiraka

Age 48 . . . Head of Government, Chief of State, and President of the Supreme Revolutionary Council since 1975 . . . makes all important decisions . . . seeks recognition as a Third World leader . . . has indulged in anti-US rhetoric

studied at French Naval Officers School and served as an officer in French Navy before Madagascar's independence in 1960.

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MADAGASCAR-US: Visit of President Ratsiraka

President Ratsiraka, who meets with Vice President Bush on Friday, probably hopes his first trip to the US since assuming power 10 years ago will further his efforts to secure increased economic assistance from the West.

Madagascar's socialist government, which espouses nonalignment, maintains close ties to radical Third World states, the USSR and its allies, and North Korea. The Soviets provide Madagascar with almost all its military equipment and training, and they further enhance their influence with the regime by supplying Soviet-piloted military aircraft to transport food and commodities to the country's outlying regions.

Citing his policy of nonalignment, Ratsiraka has refused to grant Moscow access to air and naval facilities.

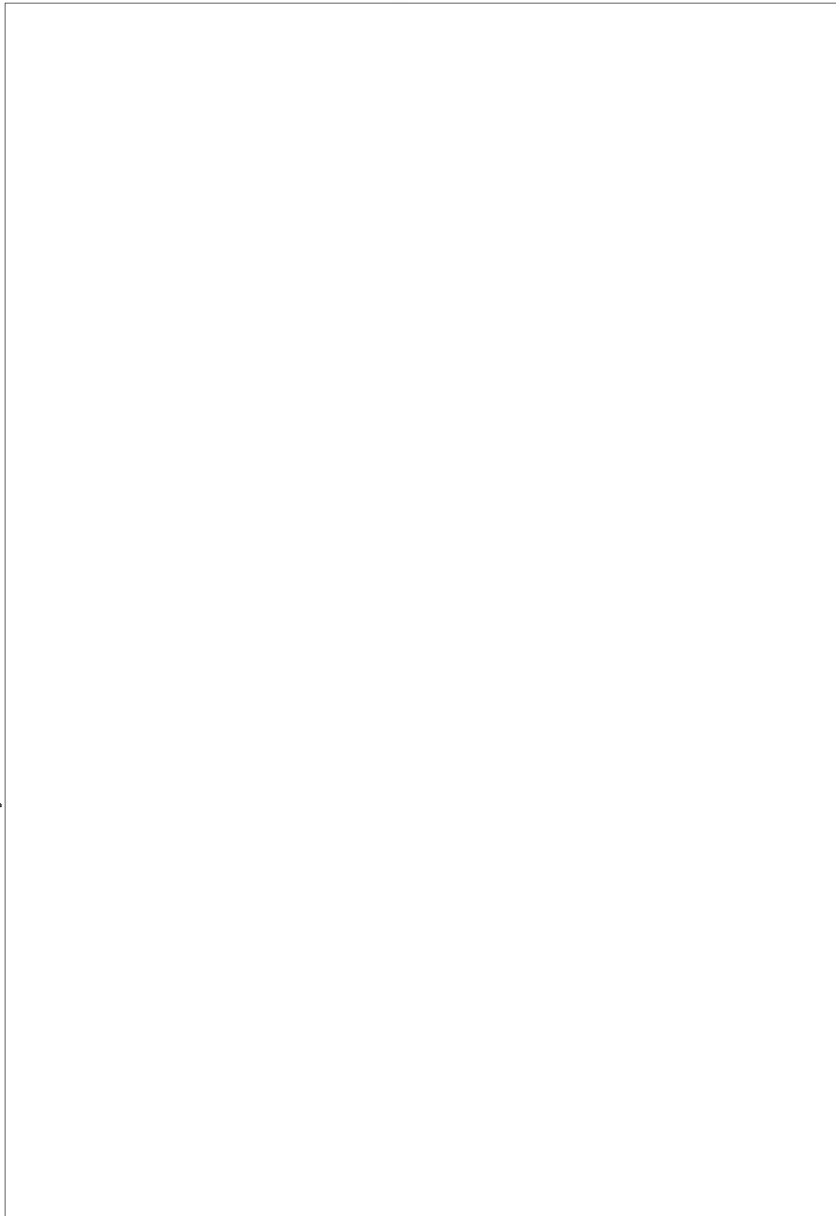
With Madagascar's economy stagnating and Moscow and P'yongyang evidently unwilling to provide sufficient economic assistance, Ratsiraka has begun to turn to the West. In addition to dismantling the signals intelligence network, Ratsiraka has underscored his intent to improve relations with the West by permitting a French warship to call at a Malagasy naval base and by passing modest economic liberalization measures. Earlier this month he visited France, as well as China, North Korea, and the USSR, in a largely unsuccessful bid for aid.

Comment: Ratsiraka is frustrated with the limited Western response so far but is gambling that improved relations with the West eventually will bring him the economic assistance he requires without costing him support among the leftist groups that have backed him. Ratsiraka probably will remain cautious in dealing with the West, however, fearing that the Soviets may try to preserve their influence by stirring up opposition in the Malagasy military or by withdrawing their transportation assistance.

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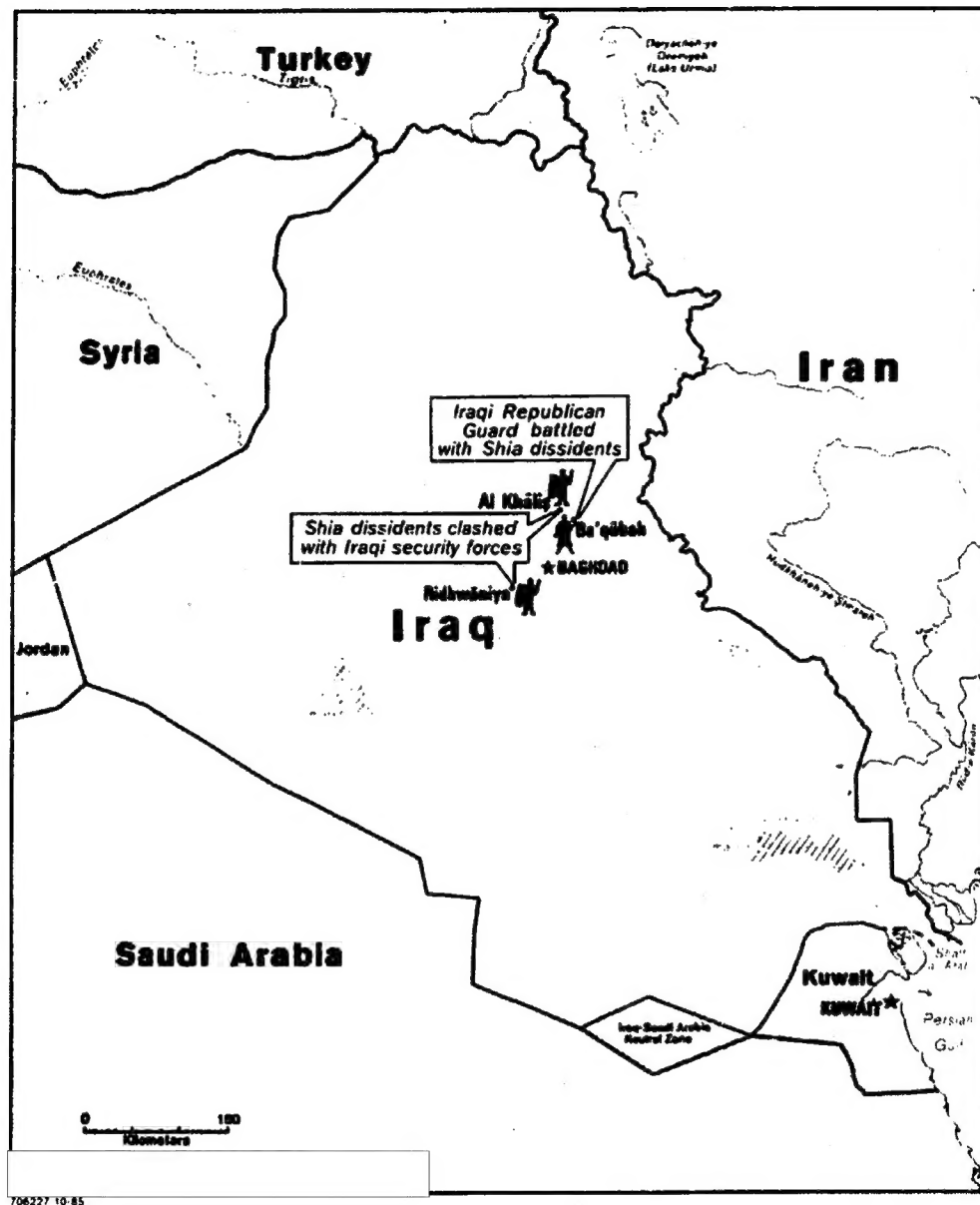
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IRAQ: Clashes With Dawa

[redacted] Iraqi security forces were involved in a daylong shootout last week with suspected members of the Dawa Party—the principal Shia opposition group in Iraq—in two communities near Baghdad. A brigade of the elite Republican Guard fought as many as 100 armed dissidents near Ba'qubah; police killed three other Dawa suspects in a second engagement on the same day.

Comment: The Dawa Party has been fairly inactive inside Iraq since security forces penetrated its clandestine network and arrested hundreds of its members two years ago. Iraqi Shia exiles from Iran probably staged last week's incidents, which may have been timed to coincide with the anniversary of the founding of the Supreme Assembly of the Islamic Revolution in Iraq, an opposition front that includes Dawa and is supported by Tehran.

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BULGARIA: Ministerial Changes

The Bulgarian State Council decreed four changes in the Cabinet last Friday, three days before General Secretary Gorbachev's arrival in Sofia for the current meeting of the Warsaw Pact Political Consultative Committee and a two-day working visit. All involved the economy. Ivan Iliev, an aide to party leader Zhivkov, replaced Stanish Bonev as chairman of the State Planning Committee and as deputy prime minister, posts he previously held in the mid-1970s. Reflecting growing concern about the economy, First Deputy Prime Minister Chudomir Aleksandrov, 49, a fast-rising Zhivkov protege with a reputation as an effective administrator and a close friend of the Soviet Ambassador, was named to head a new party-state Committee on Energy Problems. Other changes may be in the works.

Comment: The new appointments are in part a response to repeated Soviet criticism this year of Bulgarian economic inefficiency and corruption. During their discussions with Gorbachev, the Bulgarians probably will cite the shakeup as evidence of their attempts to improve economic management. Bonev's departure as chairman of the State Planning Committee came only three days after his Soviet counterpart Baybakov suffered the same fate.

JAPAN: Advance in Semiconductor Technology

Japanese researchers have fabricated a complex opto-electronic circuit with new equipment that for the first time combines crystal-growth and doping technologies in a single tool. The work was done at a government-sponsored laboratory staffed by Fujitsu, Hitachi, and other major semiconductor firms.

Comment: The new equipment could be important to a variety of military systems that contain electronic circuits. The equipment should allow semiconductor firms to manufacture higher quality devices—typically sought by defense industry manufacturers—and to achieve higher yields. The Japanese, adept at reducing process costs, are now in a good position to lead in the development and exploitation of the new equipment. The role of major semiconductor firms in the research program may speed that commercialization. Nevertheless, high manufacturing costs probably will limit early use to military applications.

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In Brief

Europe

— About 30,000 **British** miners split from National Union of Miners Sunday . . . hoping to attract Scargill opponents, will call for recognition by Trades Union Congress . . . Tories exploiting rift by offering group separate government contracts.

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East Asia

- Slightly warmer communique marked end of seventh round of Sino-Soviet talks . . . no progress apparent thus far on China's demands regarding the "three obstacles" . . . next round scheduled for April [redacted]
- Philippine police yesterday killed two demonstrators, wounded about 30 during antigovernment rally near US Embassy in Manila . . . second violent clash between police, protesters in past month . . . tensions will remain high. [redacted]

- Gestures to open markets announced by South Korea . . . resurrect plan withdrawn in September after domestic opposition . . . frees imports of alfalfa, auto parts, but Seoul still balking at protecting intellectual property rights as requested by US. [redacted]

Africa

- Zambian police last Friday broke up demonstration by taxi drivers on strike over major currency devaluation, doubling of petroleum prices . . . mild grumbling in military's enlisted ranks . . . regime still seems in control. [redacted]

International

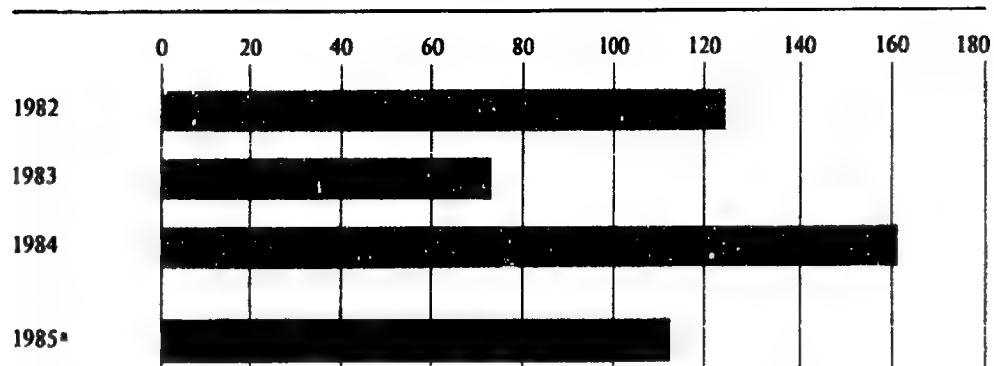
- USSR backing Algerian resolution allowing Director General to fire all US citizens from UNESCO Secretariat, exclude them from future recruitment . . . resolution may not pass, but US presence almost certainly will decline through attrition. [redacted]

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International Terrorist Attacks Against Business Targets



* Figures for 1985 are a preliminary assessment of January-June incidents only.

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Special Analysis

INTERNATIONAL: Terrorist Attacks on Business Targets

Tighter security at most US Embassies and other government installations is making US business people and facilities more inviting targets.

Attacks by political terrorists on business targets—most of them American—in the first half of 1985 were 35 percent above the same period in 1984. Business targets now account for about one-fourth of all terrorist incidents.

Attacks have been reported in many parts of the world, but most attacks on US firms have occurred in Latin America, where bombings of banking and other business facilities have been the favored tactic. Between January and July of this year there were five major bombings of US business concerns in Chile, three in Colombia, and two in Bolivia. Kidnaping also remains a major threat, especially in Colombia, where leftwing guerrillas have been holding an American oil company executive since August.

In Western Europe, Spain has been the scene of six bombings of US business facilities this year, mostly the work of Basque separatists. Since last winter, however, leftwing terrorists in Western Europe have been targeting US and other corporations with links to NATO.

No incidents involving US firms have been reported in the Middle East so far this year, but the largely unprotected US commercial presence in Saudi Arabia and other states on the Persian Gulf remains vulnerable to radical Palestinians and Shia extremists.

In December 1983, radical Shias bombed the facilities of a US firm as well as the US Embassy in Kuwait.

Trends and Implications

The trend of the past few years probably will continue. US commercial interests not only are likely to remain soft targets, but they will often be seen as symbols of "imperialism" and lucrative sources of extortion payments. at least \$350 million was paid in ransom to terrorists between 1973 and 1983, but many payments go unreported and the actual figure probably is several times higher.

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The costs to business are not limited to direct payments. [redacted]

[redacted] multinational corporations spend more than \$2 billion a year to protect their assets from political violence. Kidnaping and ransom insurance premiums alone are estimated at some \$80 million annually. [redacted]

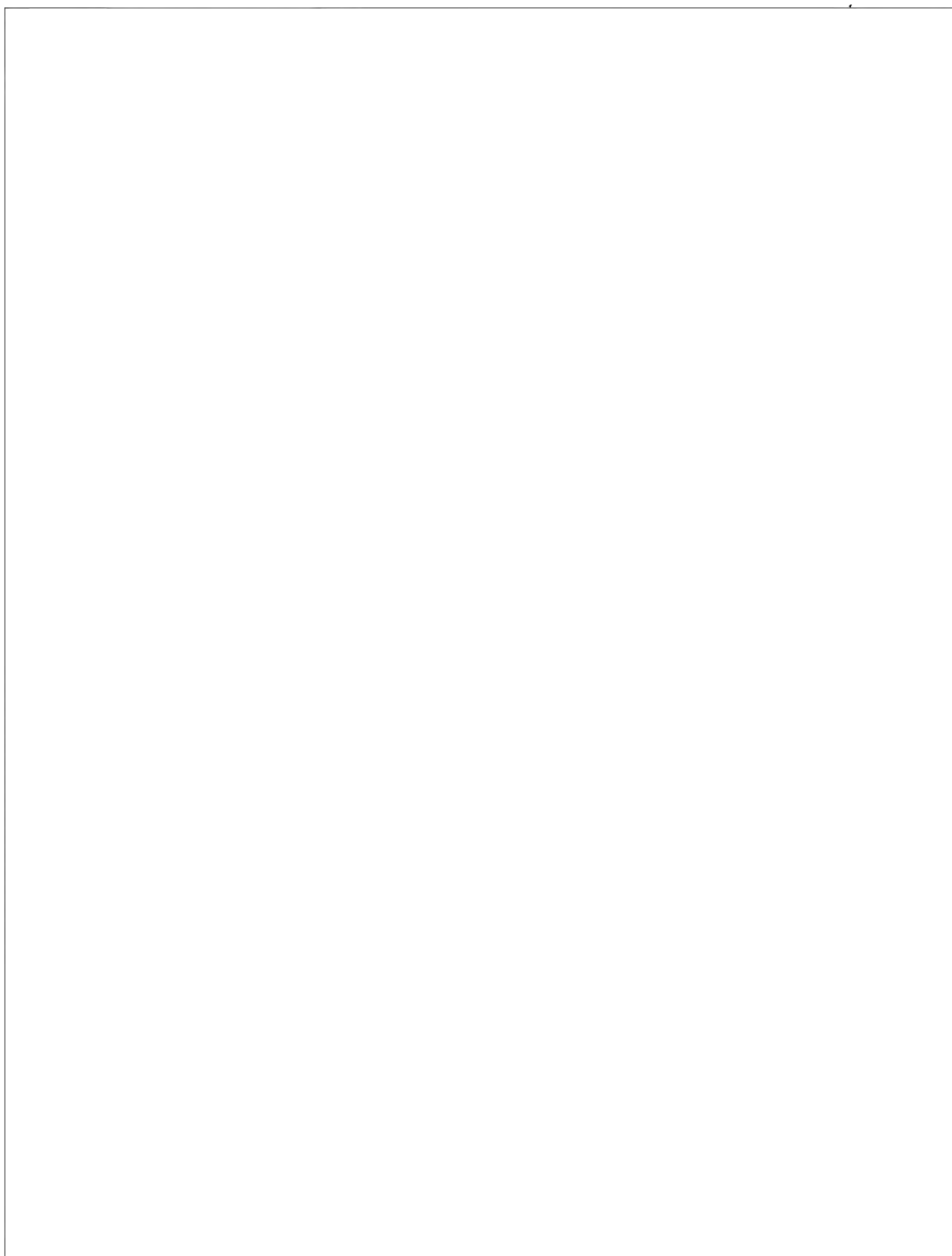
Terrorism also has an adverse effect on productivity. Companies, particularly those in high-technology fields, are often reluctant to send advanced equipment or key people to threatened areas. Many companies have chosen to ship equipment out for repairs rather than risk bringing in US technicians, thereby increasing downtime and costs. [redacted]

In summary, the US loses jobs, foreign exchange, and constructive links to friendly countries when businesses have difficulty operating abroad. [redacted]

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